

Message Text

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AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: EEWT, UR, US

SUBJ: REPORTED BREAKDOWN OF GM-SOVIET NEGOTIATIONS FOR SALE OF COAL
HAULERS

1. CANADIAN EMBASSY COMOFFS SAID JAN 26 THAT NEGOTIATIONS
BETWEEN AVTOEKSPORT AND GENERAL MOTORS' TEREX DIVISION FOR SALE
OF 40-80 CANADIAN-ASSEMBLED COAL HAULERS FOR YAKUTIYA PROJECT HAD
BROKEN DOWN LAST WEEK OVER PRICE. TEREX'S FINAL OFFER WAS REPORT-
EDLY DOLS 623,000 PLUS DOLS 23,000 FREIGHT FOR EACH 180-TON MODEL
33-15 HAULER WHILE SOVIETS WOULD NOT GO ABOVE DOLS 520,000 C.I.F.
GM TEAM HEADED BY TEREX GENERAL MANAGER GEORGE PERRY LEFT MOSCOW
FRIDAY AFTER INFORMING CANADIAN EMBASSY, WHICH WAS ACTIVELY INVOL-
VED IN NEGOTIATIONS DUE TO EDC CREDIT OFFER, THAT NEGOTIATIONS HAD
BROKEN DOWN.

2. COMMENT:

A. NEWS OF BREAKDOWN COMES AS CONSIDERABLE SURPRISE AS TEREX REP
HAD TOLD COMOFF AFTER LAST NEGOTIATING SESSION IN DECEMBER THAT
GENERAL AGREEMENT REACHED ON UNIT PRICE SLIGHTLY UNDER DOLS
700,000 FOR INITIAL 40 UNITS
AND THAT ONLY REMAINING PROBLEM WAS FORMULA FOR PRICING ADDI-
TIONAL UNITS SCHEDULED FOR DELIVERY AFTER 1977. DEPUTY MINISTER
OF FOREIGN TRADE SUSHKOV HAD REPORTEDLY BEEN EXERTING CONSIDERABLE
PRESSURE ON MINISTRY OF COAL INDUSTRY TO ACCEPT TEREX HAULERS SO
THAT SUDDEN PRICE IMPASSE MAY REFLECT COAL MINISTRY'S SUCCESSFUL
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REJECTION OF HAULERS ON TECHNICAL GROUNDS.

B. BREAKDOWN OF TEREX NEGOTIATIONS APPEARS TO OPEN FIELD FOR TULSA-BASED UNIT RIG, WHICH IS OFFERING ITS 200-TON M-200 LECTRA HAUL FOR YAKUTIYA. MINISTRY OF NON-FERROUS METALLURGY SELECTED M-200 OVER TEREX'S 33-15 IN TWO RECENT DEALS (LARGELY, WE BELIEVE, BECAUSE OF ITS LARGER CAPACITY) SO COAL MINISTRY SPECIALISTS MAY HAVE REACHED SAME CONCLUSION. CANADIAN EMBASSY COMMERCIAL OFFICER SAID UNIT RIG OFFICIALS ALREADY IN TOUCH WITH EDC TO ARRANGE CREDIT PACKAGE BASED ON CANADIAN ASSEMBLY ALTHOUGH CANADIAN CONTENT WOULD BE FAR LESS THAN 80 PERCENT OSTENSIBLY REQUIRED. (TEREX HAD RECEIVED ASSURANCES OF EDC CREDIT UNDER THESE CIRCUMSTANCES, HOWEVER.)

C. THESE DEVELOPMENTS MUST COME AS DISAPPOINT TO GENERAL MOTORS, WHOSE EARLIER MAJOR SALES DRIVES IN SOVIET UNION ALSO ENDED IN FAILURE.
STOESSEL

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